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FISCAL IMPACT STATEMENT

LS 7019

BILL NUMBER: SB 206

NOTE PREPARED: Feb 15, 2005

BILL AMENDED: Feb 15, 2005

SUBJECT: Home Medical Equipment Services Provider Licensing.

FIRST AUTHOR: Sen. Dillon

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires a home medical equipment services provider to be licensed by the Board of Pharmacy. It authorizes the board to conduct inspections, issue licenses, discipline providers for violations, and adopt rules to: (1) specify the equipment to be regulated; (2) set standards for the licensure of services providers; (3) govern the safety and quality of services that are provided; (4) recognize certain accredited individuals for purposes of issuing a temporary license; and (5) set reasonable fees for the application, issuance, and renewal of a license.

Effective Date: July 1, 2005.

Summary of Net State Impact: (Revised) The minimum fiscal impact of this bill on the Health Professions Bureau (HPB) is an increase in expenditures of \$134,410 in FY 2006 for initial start-up costs and \$111,390 annually thereafter but could increase depending on the number of providers licensed. Revenue that would be generated from a licensing fee would be deposited in the state General Fund.

Explanation of State Expenditures: This bill establishes licensure of home medical equipment services providers. The fiscal impact of this bill on the Health Professions Bureau is dependent on the cost of additional board meetings, license issuance, and additional staff that are required to be employed to investigate complaints and conduct inspections of home medical equipment services providers.

Licensing - The seven-member Board of Pharmacy would be responsible for overseeing the licensing process, establishing fees and continuing education requirements, recognizing accreditation bodies, and governing the safety and quality of home medical equipment services. According to HPB, the Board would need to meet three

additional times to fulfill the provisions of this bill. The estimated cost of travel and per diem for three additional meetings would be approximately \$3,500. HPB estimated the annual costs of producing and issuing a license, including postage, printing, telephone, and supplies, would be about \$5,100.

Inspections - To initiate the inspection process, HPB would require additional staff to conduct inspections. If one field inspector (PAT III) is needed to conduct inspections and another position (PAT V) is needed to coordinate the inspections, the additional expenditures for the above-listed positions would be \$96,990 in FY 2006 and \$96,970 in FY 2007. Additional field inspectors may be needed, depending on the number of entities who are subject to inspections. Each additional field inspector position costs \$50,630 in FY 2006 and \$50,700 in FY 2007. The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. As of December 2003, HPB had 2 vacancies: one COMOT 3 and one PAT I position. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

According to HPB, field communications equipment would also be needed for conducting inspections. The estimated annual costs for one inspector, in 2002, included: cell and pager, \$960; portable computer, \$1,200; and mobile Internet connection, \$960. HPB estimated that providing the field inspector with a vehicle would be more cost effective than paying mileage. The agency estimated the initial cost for a vehicle would be a \$23,000 one-time cost, and the annual maintenance would be \$2,700. The total annual field work cost, not including staff, was estimated to be \$5,820 per inspector, plus the price of a vehicle in a year where a new vehicle must be acquired. The cost for subsistence and lodging are not included in this estimate because it is unknown how often either would be required.

The total expenditures for the Board meetings, providing the license, two additional staff, and inspector field work *initially* are estimated to be \$134,410 in FY 2006 and \$111,390 in FY 2007 and subsequent years. Staff cost could increase depending on the number of inspections needed.

Explanation of State Revenues: Licensing - Presumably, fees will be set at a level designed to cover expenses. The amount of revenue that will be generated by this proposal will depend on the number of providers who seek licensure. The Association of Indiana Home Medical Equipment Services estimates there are approximately 300 providers who would be subject to licensure under this bill. If 300 providers pay a license fee in an amount to cover the expenses listed above, the cost per license would be \$409, or \$578 if an additional field inspector was needed.

Penalty Provision - This bill provides that if a person engages in the business of home medical equipment services and knowingly provides the services without a license issued according to this bill, commits a Class A misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund.

If the case is filed in a circuit, superior or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalty Provision* - A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalty Provision* - If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Health Professions Bureau, Board of Pharmacy.

Local Agencies Affected: Trial courts, local law enforcement agencies.

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